



Office of Audit and Compliance

Final Audit Report: Contracts Audit Report

<i>Why OAC Performed this Review</i>	<i>What OAC Found</i>
<p>This audit was performed as a result of unresolved prior audit findings noted during the Department of Finance's Risk Assessment Report. The report discovered over 13 control issues which remained unresolved.</p> <p>The Office of Audits and Compliance (OAC) performed this audit to ensure that all requirements by both the State and the Department of General Services Contract Requirements had been met.</p> <p><i>What OAC Recommends</i></p> <p>OAC recommends the following to eliminate risks to the department:</p> <ul style="list-style-type: none"> ▪ Reassign the State Treasurer's Office and the State Controller's Office contracts to another contract manager because of incompatible duties. ▪ Update the contract with instructions and guidance to allow DCSS the ability to audit contract records, ensure business continuity plans exist and any other stipulations that protect state assets. ▪ Update the contract department manual with sufficient instructions and guidance to ensure all contracts are justified and allowable according to OMB A-87. ▪ Do not allow Contract staff to make changes to the language of a contract without the final review of the contract manager. ▪ The format of the basic contract should be upgraded to include the right to audit by our Department, disaster recovery guarantees and any other stipulations that can limit the department's risk exposure. 	<p>This report documents the results of the contracts internal control review conducted by OAC. The purpose of this review was to test and obtain reasonable assurance that internal controls regarding the solicitation, recording, authorization, execution and monitoring of contracts, and the corresponding payment disbursements are functioning as intended.</p> <p>During this audit OAC focused on deficiencies documented by DOF regarding; contract procedures, bidding instructions, small business processes, contract timelines, timely reporting, and all specified procedures were followed according to state and federal mandated instructions.</p> <p>Many of the outstanding audit findings for the contract area were in the process of being corrected or had been corrected during this audit period. The few remaining issues are listed below.</p> <ol style="list-style-type: none"> 1.) The audit manager of OAC serves as contract manager for two contracts, State Treasury and State Controller's Office. Auditors and those supervising the work of auditors should not perform work for the Department that they would be subject to review. Therefore, the function of contract manager and manager for the OAC are incompatible duties. 2.) The contracting desk manual and accompanying procedures needs to include Federal OMB A-87 guidelines and restrictions on expenditures for federal grants. Currently, the manual does not contain this information which is needed to ensure all contracts are compliant with federal grant spending requirements. 3.) According to interviews with contract managers, contract language was changed by Contract staff without discussion or a final approval from the contract manager. The Contract Units (Fiscal Support and Procurement Section) need to ensure that the contract language stays intact until approval is obtained from the originator.